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GLOBALIZING ETHICS & BUSINESS
CODES OF CONDUCT
-Conference Report-

by Stelios Loizides

Toronto, May 26, 1998

The Conference Board of Canada

Globalizing Ethics & Business Codes of Conduct Conference

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Report

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Introduction

On May 26, 1998 more than 80 conference delegates from leading Canadian organizations attended a one-day conference on "Globalizing Ethics and Business Codes of Conduct". Presentations were made by leading Canadian corporations such as Nortel, Alcan, Placer Dome, Canadian Occidental and Bank of Nova Scotia. Conference delegates gained valuable insight and information on how a good code of ethics and conduct could help their organizations gain competitive advantage internationally. Also presenting at the conference were three large American multinational companies: Levi Strauss, Baxter International and Motorola.

These Canadian and American firms are recognized worldwide for their public stand on ethics and for their well-developed codes of business conduct. Speakers addressed a number of important issues, including human rights and child labour from a cross-cultural perspective. Each speaker shared valuable insight and practical information on key aspects of an effective code of ethics and business conduct including development, implementation and monitoring.

Key findings from the Conference:

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The International Code of Ethics for Canadian Business

The International Code of Ethics for Canadian Business is a written document that can be particularly helpful to firms operating overseas. This voluntary code was designed in 1996 by a group of Canadian organizations and associations, supported by the Department of Foreign Affairs and International Trade. Since then it has been developed, refined and communicated to the Canadian business community. The International Code contains a set of values and statement of principles. It deals with community participation, human rights, business conduct and employee rights, health and safety. The International Code is a valuable guide for firms wanting to develop their own internal code and can serve as a useful benchmarking tool for those who already have a written code but want to compare it against a sound standard.

Maintaining High Ethical Standards

The mining giant, Placer Dome, was an early supporter of the International Code and its Chairman, Robert Franklin, was a keynote speaker at this Conference. Mr. Franklin pointed out that while individual corporations often have a limited ability to change conditions and practices in other countries, it is important for all Canadian companies to consistently model high standards of ethical behaviour. He suggested, for example, that practices involving bribery and corruption should simply not be tolerated. Placer Dome continually strives to maintain high ethical standards and live up to its code of conduct no matter where its operations are located in the world.

Other Canadian organizations such as Alcan, the Bank of Nova Scotia, Nortel and Canadian Occidental Petroleum also believe strongly in the value of a good written code. Representatives from these firms stressed that when operating overseas their codes serve as an ongoing reminder of the company's values and principles and the

business conduct or behaviour expected by the firm and its employees. A code of ethics within the corporation helps employees to make the right decisions by providing them with a set of standards and a process for asking questions, voicing concerns, clarifying grey areas and reporting suspected violations of the company's code of ethics. Ensuring that employees adhere to a code of ethics is important in terms of preserving employee loyalty and enhancing customer relationships, reputation in the community and shareholder confidence.

A Living Document

Conference speakers reminded delegates of the many challenges involved in the design, development and communication of a good global code of ethics and business conduct. To begin with, the document should include a statement of business principles and guidelines for employee behaviour. Human rights, the environment, health and safety, labour standards and working conditions are usually key subject areas. Expected behaviours regarding gift giving (and receiving), use of proprietary information and influence are areas that are typically addressed.

The document itself must be clear, unambiguous and easy-to-understand when translated into different languages. It is important that the code be a "living document"—not one that is written and then relegated to a filing cabinet where it collects dust. A code becomes "alive" when two conditions are met:

- All employees, suppliers and business partners regardless of country, culture and language, know and fully understand the firm's ethical standards and the behaviours that are acceptable and appropriate.
- All employees, regardless of country, culture and language, exhibit the appropriate behaviour in their day-to-day business dealings on behalf of the organization.

Global Ethics Begins at Home

Many Canadian multinationals are now developing global codes of business conduct to provide guidance to employees on how to deal with ethical dilemmas in different cultures, in a way that will not compromise the company's core values.

Having a published code does not in itself guarantee consistent ethical behaviour across a corporation. In order to influence behaviour, employees must "buy-in" to the values and principles set out in the code. One way to ensure employee "buy-in" and acceptance of the code is to encourage employee input and involvement in the code's design. The following examples provide some ideas on how companies can involve employees in this process.

1. Develop a team of regional representatives to write the code. Three years ago, Alcan began a long process of designing its global *Code of Conduct*. Representatives from its various locations around the world formed a multi-disciplinary team to develop the code. Once a draft was complete, these representatives took the draft code back to their locations and received feedback from managers and employees. After many drafts, the company was satisfied that it had a code its 33,000 worldwide employees could stand behind.

2. Hold focus groups. In 1994, Nortel began the process of designing its Global Code of Business Conduct, *Acting with Integrity*. In order to learn about the cultural differences that would impact the global code, Nortel held 35 employee focus group sessions in almost all of its locations worldwide. As a result, the company received valuable insights into differences of cultural perception on such issues as gift giving and receiving.

3. Post a copy of the draft code on the company intranet or e-mail. At Nortel, once the code had been drafted, the company took a unique step and posted the draft version on the company intranet for employees to review. A total of 1,200 employees provided suggestions and feedback on the document, which was then used to refine the code.

4. Continue to seek feedback in training workshops, even after the code is rolled-out. Canadian Oxy developed a corporate code for employee conduct in the range of countries in which it operates. In order to communicate the company's values and standards to all employees, Canadian Oxy developed an "Integrity Program"—interactive workshops held at all its international locations. In this program, employees were encouraged to discuss case scenarios to help them fully understand how the code applied in everyday work situations. Any feedback provided at these workshops was used to refine the code.

The examples of Nortel, Alcan, and Canadian Oxy demonstrate that an effective corporate code of ethics will guide employee behaviour and thereby help maintain the organization's ethical standards and reputation worldwide. With employee buy-in and involvement, the code will be a lot more than simply print on paper.

Concluding Remarks

Canadian firms can use the International Code of Business Ethics as a simple, effective and reliable roadmap to ethical business conduct. Explicit rules are necessary because of the complexity of organizations and the diversity of the workforce in terms of employee backgrounds, experiences and moral values. A code of ethics is a statement of rules of conduct. A company with a code of ethics is expressing its determination to uphold consistent corporate standards of business conduct irrespective of the country, culture and language in which its business operations are carried out.